

**REPORT ON EXAMINATION  
OF  
COMMONWEALTH INSURANCE COMPANY OF AMERICA  
AS OF  
DECEMBER 31, 2019**

Office of the  
Commissioner



Delaware  
Department of Insurance

REPORT ON EXAMINATION  
OF  
COMMONWEALTH INSURANCE COMPANY OF AMERICA  
AS OF  
DECEMBER 31, 2019

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro  
Insurance Commissioner

Dated this 21 day of December, 2020

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December 15, 2020

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.009, dated November 20, 2019, an examination has been made of the affairs, financial condition and management of

**COMMONWEALTH INSURANCE COMPANY OF AMERICA**

hereinafter referred to as the Company or CIC and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. Due to the COVID-19 Pandemic, the examination was conducted offsite. The administrative office of the Company is located at 250 Commercial Street, Suite 500, Manchester, New Hampshire 03101. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the three-year period from January 1, 2011 through December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31,

2019, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2019. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of the Fairfax Group of regulated United States property and casualty insurance companies (Fairfax U.S. Group) as of December 31, 2019. Delaware is the lead state for the Fairfax U.S. Group exam and the lead regulator for the Fairfax Group in its entirety. The examination was conducted concurrently with that of the Company's U.S. affiliates. The Companies in the Fairfax U.S. Group and their state of domicile are summarized as follows by subgroups:

**Riverstone Subgroup:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
Commonwealth Insurance Co of America <sup>1</sup>	10220	DE
TIG Insurance Company	25534	CA

**Odyssey Re Subgroup:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
Greystone Insurance Co	10019	CT
Odyssey Reinsurance Co	23680	CT

**Hudson Subgroup – 100% owned by Odyssey Re Subgroup above:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
Hudson Insurance Co	25054	DE
Hudson Excess Insurance Co	14484	DE
Hudson Specialty Insurance Co	37079	NY

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<sup>1</sup> TIG Insurance Company sold Commonwealth Insurance Company of America to Brit Insurance USA Holdings Inc., effective April 30, 2018.

**Crum and Forster Subgroup:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
United States Fire Ins Co	21113	DE
Crum & Forster Specialty Ins Co	44520	DE
North River Insurance Co	21105	NJ
First Mercury Ins Co	10657	DE
Crum and Forster Ind. Co	31348	DE
Seneca Ins Company, Inc.	10936	NY
Seneca Specialty Ins Co.	10729	DE
Crum and Forster Ins Co	42471	NJ
American Underwriters Ins Co	10251	AK
MTAW Insurance Co	16498	DE

**Zenith Subgroup:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
Zenith Insurance Co	13269	CA
ZNAT Insurance Co	30120	CA

**Allied World Subgroup:**

<b>Company Name</b>	<b>NAIC Number</b>	<b>State of Domicile</b>
Allied World Natl Assur Co	10690	NH
Allied World Assur Co US Inc.	19489	DE
Allied World Surplus Lines Ins Co	24319	AK
Allied World Specialty Ins Co	16624	DE
Allied World Ins Co	22730	NH
Vantapro Specialty Ins Co	44768	AK
Vault Recip. Exch. FL NY	16186	FL
Vault E&S Ins Co <sup>2</sup>	16237	AK

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook)* and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate

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<sup>2</sup> Fairfax Financial Holdings Limited and Allied World Assurance Company Holdings, Ltd recently announced, in a November 12, 2020 press release, that they have, through their subsidiaries, entered into an agreement to sell their majority interest in Vault Insurance. The transaction is expected to close during the first quarter of 2021.

governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

#### **COMPANY HISTORY**

The Company was incorporated under the laws of the State of Washington on October 26, 1994, was granted a certificate of authority to transact insurance business on January 1, 1995, and commenced business on January 17, 1995. The Company was wholly owned by Northbridge Indemnity Insurance Corporation (Northbridge Indemnity), which is wholly owned by Northbridge Financial Corporation, which is wholly owned by Fairfax Financial

Holdings Limited (Fairfax Holdings). The Company was placed in run-off on May 1, 2012. On January 7, 2013 Northbridge Indemnity sold 100% of the outstanding stock of the Company to TIG Insurance Company (TIG), a property and casualty insurer domiciled in the State of California which has been in run off since 2002. The Company's ultimate corporate parent is Fairfax Holdings, a Canadian holding company that, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. The Company re-domesticated from the State of Washington to the State of Delaware on December 31, 2014.

On October 26, 2017, TIG, the parent of the Company at such time, entered into a Stock Purchase Agreement with an affiliate, Brit Insurance USA Holdings, Inc. (Brit) to sell the Company. The sale and the transactions contemplated therein were approved by the Department. On April 30, 2018, the sale was closed. The Company is now a wholly owned subsidiary of Brit.

The Company's primary, on-going focus is the orderly resolution of claims, settlement of obligations and collections of reinsurance and other recoverable balances. Any remaining written premium activity primarily represents the impact of final premium adjustments and cancellations.

#### Capitalization

The Company is authorized to issue 1,000,000 shares of common capital stock with a par value of \$10.667 per share. Currently, 300,000 shares are issued and held by Brit.

#### Dividends

On June 2, 2015, the Company declared an extraordinary dividend. On June 5, the Company notified the Department. The extraordinary dividend was approved by the Department on July 8, 2015. On August 4, 2015, the Company paid a \$10,000,000

extraordinary dividend, in accordance with 18 *Del. C.* § 5005 (b) consisting of cash, cash equivalents, and short-term investments to its then sole shareholder, TIG.

### **MANAGEMENT AND CONTROL**

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business, property, and affairs are managed by, or under the direction of, its Board of Directors (Board). The bylaws provide that the number of directors that shall constitute the whole Board shall not be less than three members nor more than nine, with the exact number to be fixed within the limits specified by approval of the Board or the Shareholders in the manner provided by the bylaws. Each director shall be elected for a term of one year and serve until such director's successor is elected and qualified or their earlier resignation, removal or retirement.

#### Directors

The Board duly elected in accordance with the Company's bylaws and serving as of December 31, 2019 were as follows:

#### Directors

##### Name and Location

##### Principal Business Affiliation

Nicholas J. Davies  
Chicago, Illinois

President  
Brit Global Specialty Americas

Adam Finkle  
Chicago, Illinois

Chief Operating Officer  
Brit Global Specialty Americas

Allison M Burns  
Chicago, Illinois

Senior Vice President - Claims  
Brit Global Specialty USA

Mark A. Allan  
London, England UK

Group Chief Financial Officer  
Brit Group Ltd.

Jonathan M. Jones  
Bradenton, Florida

Operations Director & Treasurer  
Commonwealth Insurance  
Company of America

Officers

The bylaws of the Company state that officers shall be elected or appointed by the Board. The senior officers, duly appointed in accordance with the bylaws and serving at December 31, 2019, are as follows:

<u>Officer</u>	<u>Title</u>
Nicholas J. Davies	President
Jonathan M. Jones	Treasurer
Allison M. Burns	Secretary

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company system known as Fairfax Holdings as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The ultimate controlling entity of the Fairfax Group is Fairfax Holdings, a publicly listed company whose subordinate voting shares trade on the Toronto Stock Exchange under the symbol FFH. As of December 31, 2019, Fairfax Holdings had consolidated assets of \$70.5 billion and shareholders' equity of \$17.907 billion. 18 *Del. C.* §5001(3) states that

“...Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of any other person.” Pursuant to this presumption, Prem Watsa and The Watsa Family Trust, which collectively owned or controlled 10% or more of the voting shares of the Company as of the examination date, are also considered controlling entities of the Company.

The Company is a wholly owned subsidiary of Brit which is ultimately owned by Fairfax Holdings.

An abbreviated organizational chart of Fairfax Holdings as of December 31, 2019, with domicile in brackets along with the control percentages of the upstream affiliates’ control of the downstream affiliate is presented below:

		Equity Ownership Percentage	Voting Control Percentage	
V. Prem Watsa and the Watsa Family Trust {1}{8}	{2}	6.73 %	42.49%	{3}
All Other Publicly Traded Shares Held {4}	{5}	93.27%	57.51%	{6}
Fairfax Financial Holdings Limited [Canada] {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Brit Limited [England & Wales]		89.26%	89.26%	
Brit Insurance Holdings Limited [England & Wales]		100.0%	100.0%	
Brit Insurance USA Holdings, Inc. [IL]		100.0%	100.0%	
<b>Commonwealth Insurance Company of America [DE]</b>		100.0%	100.0%	

As of December 31, 2019, unless otherwise indicated below:

Notes 1 through 8 more fully describe the ownership and voting percentages throughout the holding company.

- {1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, The One Zero Nine Holdco Limited and The SixtyTwo Investment Company Limited.
- {2} Calculated as follows:

Description	Shares Outstanding	Shares Owned/Controlled	Percentage of total shares outstanding
Total SVS Shares outstanding	26,082,299		
SVS Shares owned personally and through 1109 HoldCo		258,790	0.9922%
Additional SVS shares under control and direction		2,100	0.0081%
SVS Shares held through Sixty Two HoldCo		50,620	0.1941%
<b>Total SVS shares owned/controlled</b>		<b>311,510</b>	<b>1.1943%</b>
Total MVS Shares Outstanding	<u>1,548,000</u>		
Total MVS + SVS Shares Outstanding	<u>27,630,299</u>		
MVS Shares owned and controlled through Sixty Two Holdco		<u>1,548,000</u>	<u>100%</u>
<b>Total MVS + SVS Shares owned and controlled by Mr. Watsa</b>		<u><u>1,859,510</u></u>	<u><u>6.73%</u></u>

{3} Calculated as 0.58% through V. Prem Watsa and 41.91% through ownership in the three entities as described above. It should be noted that pursuant to Canadian securities filing requirements, 2100 subordinate voting shares owned by immediate family members of Mr. Watsa are also considered to be under the control and/or direction of Mr. Watsa and are therefore included in the voting control percentages reported herein.

{4} No other individual or entity owns or controls greater than 10% of the voting common shares of Fairfax Holdings as of December 31, 2019.

{5} Calculated as 100.00% - 6.73% {2}

{6} Calculated as 100.00% - 42.49% {3}

{7} Fairfax Holdings common shares are publicly traded on the Toronto Stock Exchange (TSX) in Canadian dollars under the symbol FFH and in US dollars under the symbol FFH.U. As of December 31, 2019, Fairfax Holdings has issued 1,548,000 multiple voting common shares, 26,082,299 subordinate voting common shares, 58,239,178 non-voting preferred Series C thru M. Fairfax Holdings's equity attributable to Shareholders as of December 31, 2019, totals \$14,378.1 million (\$ U.S.) which

consists of \$13,042.6 million (includes \$3.8 million of multiple voting shares) related to voting common shares (90.71% of the total) and \$1,335.5 million related to non-voting preferred shares (9.29% of the total).

- {8} During the second quarter of 2020, Mr. V. Prem Watsa purchased an additional 482,600 subordinate voting common shares through 12002574 Canada Inc., which is wholly owned by him, with the result that the total aggregate voting control increased from 42.49% to 43.61% as at June 30, 2020.

### Agreements with Affiliates

#### *Investment Management Agreement*

Effective January 1, 2003, the Company entered into an Investment Management Agreement with Hamblin Watsa Investment Counsel, Ltd. (Hamblin Watsa) and Fairfax Holdings. Pursuant to that agreement, Hamblin Watsa agrees to manage, on a continuous basis, the Company's investment account under the terms and conditions set out in the agreement, and in accordance with the investment objectives communicated in writing by Company management. Hamblin Watsa outlines State of Washington Investment Code in Schedule A of the agreement. Effective January 1, 2020, this agreement was amended to delete the existing Schedule A and replaced it with the new Schedule A, outlining the current investment policy, including compliance, investment approach, limits and return expectations.

#### *Renewal Rights Transfer Agreement - US*

Effective May 1, 2012, the Company entered into an agreement with its affiliate, Hudson Insurance Company (Hudson) to sell, transfer and assign a significant portion of the renewal rights to its US commercial property business.

#### *Payment Assignment and Assumption Agreement*

Effective December 17, 2012, the Company entered into an agreement with its affiliate, Northbridge Indemnity, as Assignee, with respect to payments due under the May 1, 2012 Renewal Rights Transfer Agreement.

*Renewal Rights Transfer Agreement – Canada*

Effective December 20, 2012, the Company entered into an agreement with its affiliate, Northbridge Indemnity to sell, transfer and assign its renewal rights for certain of its Canadian cross-border policyholders to Northbridge Indemnity.

*Service and Cost Allocation Agreement*

Effective January 1, 2013, the Company entered into a Service and Cost Allocation Agreement with Northbridge Indemnity. Under the terms of this agreement, Northbridge Indemnity provides the following services to the company: Claims payment and adjustment, preparation of financial reports, underwriting, administrative, books and records.

*Management Services Agreement*

Effective January 1, 2013, the Company entered into a Management Services Agreement with RiverStone Resources LLC (Riverstone). Under the terms of this agreement, RiverStone provides the management, administrative and technical services necessary for a portion of the Company's operations.

*Claims Management Services Agreement*

Effective January 1, 2013, the Company entered into a Claims Administration Services Agreement with RiverStone Claims Management LLC (RiverStone Claims). Under the terms of this agreement, the Company appointed RiverStone Claims as its claim's manager, legal representative, and true and lawful attorney to act on its behalf and in its name. The following services are provided by RiverStone Claims: insurance claims administration, assumed reinsurance claims administration (reports, data, actuarial, and accounting support), claims processing systems and support, etc. Notwithstanding any of the foregoing conclusions, it is understood that the ultimate control regarding the settlement and management of claims, litigation, and arbitrations is retained by the Company.

*Master Administrative Services Agreement*

Effective November 1, 2014, the Company entered into a Master Administrative Services Agreement among various U.S. operating subsidiaries, which are indirect subsidiaries of Fairfax (US) Inc. Each party to the agreement may provide certain administrative services to any other party. Each party provides quarterly detailed statements to each company to which it provided services during the quarter. Effective August 1, 2018, this agreement was amended to add the Allied World subgroup.

*Administrative Services Agreement*

Effective April 27, 2018, the Company entered into an administrative services agreement with TIG. Under the terms of this agreement, TIG provides administrative services in respect of all policies and other obligations assumed by TIG pursuant to the Reinsurance Agreement and Assumption Agreement with TIG.

*Tax Allocation Agreement*

Effective January 7, 2013, the Company became a party to the January 1, 2000 Intercompany Tax Allocation Agreement of the U.S. Tax Group of Fairfax, Inc., of which TIG Holdings, Inc., was a party. Effective December 1, 2019, the Company entered into a new intercompany Tax Allocation Agreement with Brit, Brit Insurance Services USA, Inc. (Brit Services), Brit USA Services Company, Inc. (Brit USA), and Scion Underwriting Services, Inc. (Scion), pursuant to which parties will determine the amount and (where applicable) state income tax liability allocable and the amount each will pay to or receive from the Parent Brit. This agreement replaced the original agreement.

*Cost Allocation Agreement*

Effective January 15, 2020, the Company entered into a Cost Allocation Agreement with Brit USA, Brit, Brit Services, Scion, and Ambridge Partners LLC. Under the terms of

this agreement, each party may incur costs and expenses on behalf of one another necessary to conduct business including but not limited to: executive and corporate strategy, business development, legal, corporate governance, product management, product development, underwriting, marketing, customer sales, customer service, policy administration, billing, claims, reserving, etc. The fully loaded costs and expenses incurred in support of each service or function performed by the performing party on behalf of another party shall be allocated among the parties benefiting from services or functions in accordance with the cost allocation and related methodologies set forth in this agreement.

### **TERRITORY AND PLAN OF OPERATION**

#### Territory

As of December 31, 2019, the Company was licensed in 48 states and the District of Columbia.

#### Plan of Operation

The Company has no current plans to write new business and is in run off. The Company's primary on-going focus is the orderly resolution of claims, settlement of its obligations and collection of reinsurance and other recoverable balances. Any remaining written premium activity primarily represents the impact of final premium adjustments and cancellations and is currently at immaterial levels.

### **REINSURANCE**

#### Assumed

The Company did not assume any business as of December 31, 2019.

#### Ceded

Effective April 27, 2018, the Company entered into an Assumption Reinsurance Agreement with TIG. Under the terms of this agreement, TIG assumes, and releases, and

discharges the Company from, and agrees to pay, perform, and be bound by, all debts, liabilities, taxes, contracts and obligations of every kind, character or description of the Company.

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2019
- Statement of Liabilities as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Statement of Capital and Surplus Account for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period December 31, 2015 to December 31, 2019

**COMMONWEALTH INSURANCE COMPANY OF AMERICA**  
**STATEMENT OF ASSETS**  
**AS OF DECEMBER 31, 2019**

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 4,039,536	\$ -	\$ 4,039,536
Cash	302,323	-	302,323
Cash equivalents	441,816	-	441,816
Short Term Investments	4,170,115	-	4,170,115
Subtotals, cash and invested assets	<u>\$ 8,953,790</u>	<u>\$ -</u>	<u>\$8,953,790</u>
Investment income due and accrued	19,627	-	19,627
Current federal and foreign income tax recoverable	7,608	-	7,608
Net deferred tax asset	7,608	-	7,608
Receivables from parent; subsidiaries and affiliates	<u>141,486</u>	<u>141,486</u>	<u>-</u>
Total Assets	<u><u>\$ 9,130,119</u></u>	<u><u>\$ 141,486</u></u>	<u><u>\$ 8,988,633</u></u>

**COMMONWEALTH INSURANCE COMPANY OF AMERICA  
STATEMENT OF LIABILITIES AND SURPLUS  
AS OF DECEMBER 31, 2019**

	<u>2019</u>	<u>Note</u>
Losses	\$ -	1
Reinsurance payable on paid losses and loss adjustment expenses	-	
Loss adjustment expenses	-	1
Commissions payable; contingent commissions and other similar charges	-	
Other expenses (excluding taxes; licenses and fees)	178,164	
Payable to parent; subsidiaries and affiliates	133,667	
Aggregate write-ins for liabilities	-	
Total liabilities excluding protected cell liabilities	<u>\$ 311,831</u>	
Total liabilities	<u>\$ 311,831</u>	
Aggregate write-ins for special surplus funds	-	
Common capital stock	\$ 3,200,000	
Preferred capital stock	-	
Gross paid in and contributed surplus	6,729,710	
Unassigned funds (surplus)	<u>(1,252,908)</u>	
Surplus as regards policyholders	<u>\$ 8,676,802</u>	
Totals of liabilities & surplus	<u><u>\$ 8,988,633</u></u>	

**COMMONWEALTH INSURANCE COMPANY OF AMERICA**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Underwriting Income</b>	<b><u>2019</u></b>
Premiums earned	\$ -
<b>Deductions</b>	
Losses incurred	\$ -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	122,788
<b>Total underwriting deductions</b>	<b><u>\$ 122,788</u></b>
Net underwriting gain (loss)	<b><u>\$ (122,788)</u></b>
 <b>Investment Income</b>	
Net investment income earned	\$ 169,061
Net realized capital gains (losses) less capital gains tax of \$0	735
Net investment gain (loss)	<b><u>\$ 169,796</u></b>
 <b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$0 amount charged off \$0)	\$ -
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	-
Total other income	<b><u>\$ -</u></b>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 47,008
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 47,008
Federal and foreign income taxes incurred	(8,612)
Net Income	<b><u><u>\$ 55,620</u></u></b>

**COMMONWEALTH INSURANCE COMPANY OF AMERICA  
CAPITAL & SURPLUS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u><b>2019</b></u>
Surplus as regards to policyholders; December 31, 2018	\$ 8,770,275
Net income	55,620
Change in net unrealized capital gains (losses) less capital gains tax of \$0	-
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	(7,607)
Change in nonadmitted assets	(141,486)
Change in provision for reinsurance	-
Surplus adjustment: Paid in	-
Transferred to Capital (Stock Dividend)	-
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	-
Net change in capital and surplus for the year	<u>\$ (93,473)</u>
Capital and surplus; December 31, 2019	<u><u>\$ 8,676,802</u></u>

**COMMONWEALTH INSURANCE COMPANY OF AMERICA  
RECONCILIATION OF CAPITAL AND SURPLUS  
AS OF DECEMBER 31, 2015 TO DECEMBER 31, 2019**

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2015	\$ 3,000,000	\$16,929,710	\$ (614,240) (1)	\$ 19,315,470
12/31/2015	-	(10,000,000) (4)	-	\$(10,000,000)
12/31/2016	-	-	1,285,423 (1)	\$ 1,285,423
12/31/2017	200,000 (3)	(200,000) (2)	(1,783,353) (1)	\$ (1,783,353)
12/31/2018	-	-	(47,265) (1)	\$ (47,265)
12/31/2019	-	-	(93,473) (1)	(93,473)
	<u>\$ 3,200,000</u>	<u>\$ 6,729,710</u>	<u>\$ (1,252,908)</u>	<u>\$ 8,676,802</u>

(1) Represents net income, Change in net deferred income tax, Change in non-admitted assets, Change in provision for reinsurance.

(2) Surplus adjustment – Transferred to Common capital stock, change in par value of common share from \$10 to \$10.67.

(3) Transferred in from Surplus (Stock Dividend).

(4) Extraordinary dividend paid by Company, approved by the Department.

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM  
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$0
Loss Adjustment Expenses	\$0

The examination liability for the aforementioned captioned items of \$0 and \$0 are the same as reported by the Company as of December 31, 2018. The Company cedes 100% of its losses and loss adjustment expenses to its affiliate, TIG. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory

Accounting Principles, including *NAIC Accounting Practices and Procedures Manual*, *Statement of Statutory Accounting Principle No. 55* (SSAP # 55).

### **SUBSEQUENT EVENTS**

Brit, the Company's parent, entered into a Stock Purchase Agreement dated September 1, 2020, with Accelerant US Holdings, LLC (Accelerant) for the sale of the Company. A Form A statement regarding the acquisition of control of or merger with a domestic insurer was filed with the Department on September 22, 2020, and the sale of the Company was pending at the date of this report.

In conjunction with the sale, the Company anticipates entering into a Transition Management Services Agreement with RiverStone for a limited duration in order to ensure continuity of services and operations following the immediate closure of the transaction.

### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2014.

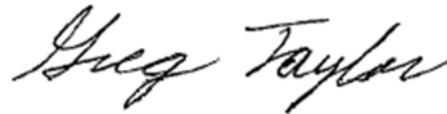
### **SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

**CONCLUSION**

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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Greg Taylor, CFE  
Examiner In-Charge  
State of Delaware



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Anthony Cardone, CFE, CPA  
Supervising Examiner  
State of Delaware

Commonwealth Insurance Company of America

I, Greg Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 20.009.

  
Greg Taylor, CFE